

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE

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COUNTY OF SAN BENITO
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE
PIERCE'S DISEASE CONTROL CONTRACT

AUDIT REPORT #08-076

FOR THE FISCAL PERIOD
JULY 1, 2004 THROUGH JUNE 30, 2007

COUNTY OF SAN BENITO
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE

PIERCE'S DISEASE CONTROL CONTRACT

FOR THE FISCAL PERIOD
JULY 1, 2004 THROUGH JUNE 30, 2007

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AUDIT REPORT NUMBER
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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
CONCLUSION.....	2
AUDIT OF PIERCE’S DISEASE CONTROL CONTRACT	3
REPORTABLE CONDITIONS	3
Employee Pay Rates	3
Lack of Supporting Documentation.....	3
Reimbursement for Vehicle Mileage	4
COUNTY AGRICULTURAL COMMISSIONER’S RESPONSE	5
CDFA EVALUATION OF RESPONSE.....	8
DISPOSITION OF AUDIT RESULTS.....	9
REPORT DISTRIBUTION	10



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

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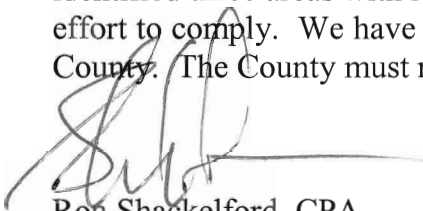
INDEPENDENT AUDITOR'S REPORT

The California Department of Food and Agriculture's (CDFA), Pierce's Disease Control Program (PDCP) requested the CDFA Audit Office to perform a contract compliance audit of three contracts with the County of San Benito (County), County Agricultural Commissioner's Office (CAC). In our audit for the PDCP, we audited contract numbers 04-0378, 05-0375, and 06-0540 for the 2004/2005, 2005/2005 and 2006/2007 fiscal years.

The objectives of the audit were to ensure the CAC complies with the terms and conditions of the contract. We verified the accuracy of the service invoices billed under the contract; identified the basis for discrepancies between the actual charges and billed charges; and provided information to improve the terms and conditions of the contract.

We conducted our audit in accordance with generally accepted government auditing standards for fiscal compliance as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the billings are supported by the accounting records and are submitted in compliance with the appropriate state and federal requirements and guidelines. An audit includes examining, on a test basis, evidence supporting the amounts included on the billings. An audit also includes assessing the accounting principles used and significant estimates made by management. We limited our test of internal controls and certain general ledger accounts due to our reliance on the unqualified audit report issued by the Independent Auditors.

During our audit of the CAC's compliance with state and federal laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the CAC's effort to comply. We have provided five recommendations to improve the compliance of the County. The County must respond in writing to these findings and recommendations.



Ron Shackelford, CPA
for Chief, Audit Office

February 27, 2008



CONCLUSION

We recommend that the PDCP seek reimbursement for disallowed charges as billed by the CAC during fiscal years 2004/2005 and 2005/2006 totaling \$2,383. In addition, on a go forward basis, the CAC should use the actual employee pay rates to bill the program, maintain adequate supporting documentation to bill direct costs to the program, and calculate the state and county vehicle usage to bill the program, in accordance with the requirements of the contract and Title 2 of the Code of Federal Regulations Part 225, Cost Principles for State, Local, and Indian Tribe Governments (2 CFR 225).

AUDIT OF PIERCE'S DISEASE CONTROL CONTRACT

REPORTABLE CONDITIONS

EMPLOYEE PAY RATES

A review of the County payroll documents and billing records revealed that the CAC did not use actual hourly rates when seeking reimbursement from the PDCP for its personnel services costs. The CAC billed permanent staff at an average wage rate as established in the work plan and as incorporated into the contract, rather than at each employee's actual hourly rate as specified within payroll records.

According to Title 2 in the Code of Federal Regulations Part 225, "Cost Principles for State and Local Governments", (2 CFR 225), charges to Federal awards for salaries and wages will be based on payrolls documented in accordance with the generally accepted practice of the governmental unit. Additionally, budget estimates or other distribution percentages determined before the services were performed do not qualify as support for charges to Federal awards.

The average wage rate established in the work plan is a weighted average rate for the entire department. While the average wage rate is acceptable for budget purposes, 2 CFR 225 and the contract require the actual pay rate be used for reimbursement of personnel service costs. The use of these rates caused the CAC to invoice the PDCP for less costs than the amount it actually incurred. Additionally, on a going forward basis, the CAC should comply with 2 CFR 225 regarding billing rates.

Recommendation

1. The CAC should comply with 2 CFR 225 by ensuring the hourly rate billed to the PDCP reflects the employee's actual hourly rate rather than the weighted average rate for the department.

LACK OF SUPPORTING DOCUMENTATION

For the 2004/2005 and 2005/2006 fiscal years, the CAC invoiced a total of \$1,350 for general office and field supplies. These expenses were invoiced at a rate of \$75 per month. However, no supporting documentation, such as invoices or receipts, was provided to substantiate these charges. 2 CFR 225 indicates that the cost be adequately documented and the cost is ordinary and necessary for the performance of the contract. Without the supporting documents, we are unable to determine whether the items or services billed to PDCP supported the performance of the contracts; therefore, these costs are disallowed. For fiscal year 2006/2007, the CAC costs exceeded the contract; therefore, no reimbursement to the state will result.

Recommendations

2. *The CAC should reimburse the PDCP \$1,350 for the unsupported costs for general office and field supplies.*
3. *The CAC should comply with 2 CFR 225 and ensure that all costs submitted for reimbursements are adequately supported with detailed accounting records. This will mitigate the possibility of the State disallowing any claimed costs by the CAC in the future.*

REIMBURSEMENT FOR VEHICLE MILEAGE

The CAC was reimbursed \$2,123 in fiscal year 2004/2005 and \$2,423 in fiscal year 2005/2006 for vehicle operation costs, using two mileage rates: \$0.17 for state vehicles and \$0.34 for county vehicles. Although the total miles driven in support of PDCP was verified to adequate supporting documentation, the distinction between state and county vehicles was not billed properly. The CAC accounting records indicate state vehicle usage to be 3,212 miles driven in fiscal year 2004/2005 and 3,954 miles driven in fiscal year 2005/2006, resulting in \$1,033 over-billing of vehicle costs. As stated above, fiscal year 2006/2007 CAC costs exceeded the contract; therefore, no reimbursement to the state will result.

Recommendations

4. *The CAC should reimburse the PDCP \$1,033 for the over-billed vehicle mileage costs for state vehicles.*
5. *The CAC should meet the requirements of the contract and 2 CFR 225 by properly distinguishing state and county vehicles mileage usage. This will mitigate the possibility of the State disallowing vehicle costs by the CAC in the future.*

COUNTY AGRICULTURAL COMMISSIONER'S RESPONSE



COUNTY OF SAN BENITO
AGRICULTURAL COMMISSIONER AND SEALER OF WEIGHTS & MEASURES

3224 Southside Rd, P O Box 699 • Hollister, CA 95024-0699
Phone: 831-637-5344 • Fax: 831-637-9015

Paul J. Matulich
Agricultural Commissioner and Sealer of Weights & Measures

May 15, 2008

California Department of food & Agriculture
CDFA Audit Office
Attn: Ron Shackelford, CPA
1220 N Street, Room 344
Sacramento, CA 95814

Dear Mr. Shackelford:

This letter is in response to your draft report dated May 5, 2008 regarding the audit of our Pierce's Disease Control Contract.

Following is our response to each of the recommendations:

1. *The CAC should comply with 2 CFR 225 by ensuring the hourly rate billed to the PDCP reflects the employee's actual hourly rate rather than the weighted average rate for the department.*

This problem has been corrected. All future invoices will be billed at the current rate of pay for the employee conducting the inspection. Although it is beyond my comprehension that after doing the billing at our weighted hourly average rate for 11 years no one from the state had ever pointed out this error previously.

2. *The CAC should reimburse the PDCP \$1,350 for the unsupported costs for general office and field supplies.*
3. *The CAC should comply with 2 CFR 225 and ensure that all costs submitted for reimbursements are adequately supported with detailed accounting records. This will mitigate the possibility of the State disallowing any claimed costs by the CAC in the future.*

This is another area that we have never received any corrective guidance in from the state. In the past 11 years we have used a percentage of the annual office supplies based on the percentage of the GWSS program compared to our total department hours and expenses. In the future we will bill the GWSS program based on the actual receipts.

4. *The CAC should reimburse the PDCP \$1,033 for the over-billed vehicle mileage costs for state vehicles.*

5. *The CAC should meet the requirement of the contract and 2 CFR 225 by properly distinguishing state and county vehicles mileage usage. This will mitigate the possibility of the State disallowing vehicle costs by the CAC in the future.*

We have taken steps to eliminate this error in the future. All inspectors and other personnel have been given a vehicle mileage logbook to be used for the sole purpose of recording their mileage in when they do inspections for this program.

Finally with regard to the overpayment of \$2,383. My secretary, Jean Gillaspie, has spoken with Kari Morrow and they have arranged to have \$1,367.88 from our December 2007 invoice and \$1,280.12 from our January 2008 invoice applied to this overpayment.

If you have any questions or require additional information from us, please feel free to contact my secretary, Jean Gillaspie or myself.

Sincerely,



Paul J. Matulich
Agricultural Commissioner/Sealer of Weights & Measures

CC: Kari Morrow

PJM:j

CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the San Benito County Agricultural Commissioner, Hollister, California, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this audit report are based on fieldwork that my staff performed between February 25, 2008 and February 27, 2008. My staff met with management on February 27, 2008 to discuss the findings and recommendations, as well as other issues.

This audit report is intended solely for the information of the California Department of Food and Agriculture and the County Agricultural Commissioner. However, this report is a matter of public record and its distribution is not limited.

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	Agricultural Commissioner
2	State Coordinator, Pierce's Disease Control Program
1	Liaison, County/State Relations
1	Chief Counsel, CDFA Legal Office
1	Chief, Audit Office